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# Fraudulent Stock Certificates of the Norfolk & Western Railway

– By David Adams –

On Sunday, January 7, 1906, New York City newspapers reported discovery of a counterfeit certificate for 100 shares of **Norfolk & Western Railway Co** common stock, and it was quickly rumored that additional such certificates could be in circulation. Norfolk & Western common stock was trading around \$86 per share in late 1905, making 100 shares worth \$8,600, or about \$250,000 in 2019 dollars.<sup>[1]</sup> For many weeks the story was widely, and at times wildly, covered by the press. Even the *Dawson Daily News*, Dawson City, Yukon Territory, Canada reported on it – although it took almost a month for the story to reach Dawson!



Specimen of a genuine pre-1947 Norfolk & Western Railway certificate. Note locomotive in the vignette is going from right to left. Certificate is Cox Catalog number NOR-080a-S-31

After an investigation of several weeks, four men were arrested and authorities later declared all such certificates had been accounted for. Early in the investigation *Alexander J. Hemphill*, vice president of Guaranty Trust Co and former secretary of the Norfolk & Western Railway, said the true extent of the fraud may never be known because some brokers or investors may not admit they had been duped.<sup>[2]</sup> He may have been correct, for in November 2012 one of these fraudulent certificates was listed on eBay. In an email exchange after the auction closed, the seller said the certificate was in a box of things that had belonged to



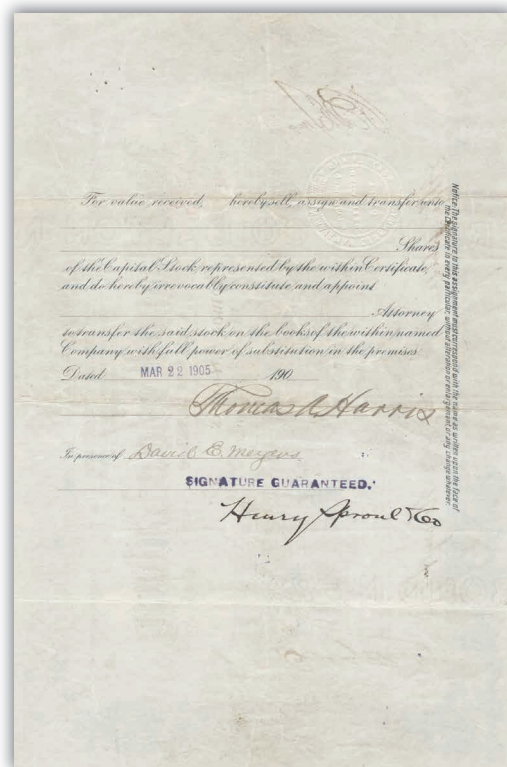
Fraudulent certificate that was listed on eBay. Note locomotive in the vignette is going from left to right

their grandfather. As the box also contained items from the grandfather's close friend, the seller did not know who originally owned the certificate.

## – A Fraudulent Certificate is Discovered –

In early September 1905, a man calling himself E. L. Green, a Pittsburg businessman, went to the firm of **William Duke & Co** in Cleveland, Ohio to sell 100 shares of Norfolk & Western Railway stock. The certificate he presented, serial number C18354, was issued to *Thomas A. Harris*, who had signed the transfer statement on the back thus making it negotiable. Under Harris's signature was a signature guarantee from **Henry Sproul & Co**, a Pittsburgh banking house. Duke purchased the shares then sold them to **Allen Arnold & Co** of Boston, who held the certificate for almost four months before selling the shares to **Hooley, Learnard & Co** of New York City. Finally, Hooley sold the shares to **H. Content & Co** of New York. As each firm sold the shares they placed their name under Sproul's signature guarantee on the back of the certificate.

Back of the  
fraudulent  
certificate.  
Signed by  
Thomas A.  
Harris and  
dated March  
22, 1905  
with a  
signature  
guarantee  
from Henry  
Sproul &  
Company  
and  
witnessed by  
David E.  
Meyer.  
Signature of  
Henry  
Sproul is  
forged



On Friday, January 5, 1906 Content & Co sent two 100-share Norfolk & Western Railway common stock certificates to Guaranty Trust Co, the railway's transfer agent. A courier handed the certificates to clerk Joseph Murphy. In recording the delivery, Murphy noticed one certificate had perforations along the left edge, as if it had been removed from a stub. This was suspicious because the railway's certificates did not have stubs so the edge should be smooth. He compared the suspicious certificate, bearing serial number C18354 that had been sold to William Duke & Co the previous September, to





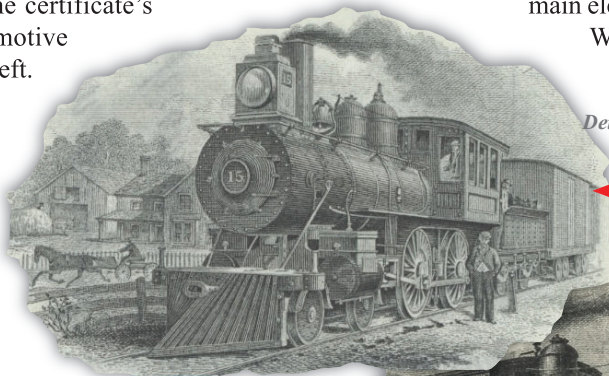
Detail of border and medallion on upper corner from a specimen of a genuine certificate. Note the smooth left edge



Detail of border and medallion on upper corner of the fraudulent certificate. Note perforations along left edge that caused Joseph Murphy to be suspicious of the certificate presented for transfer

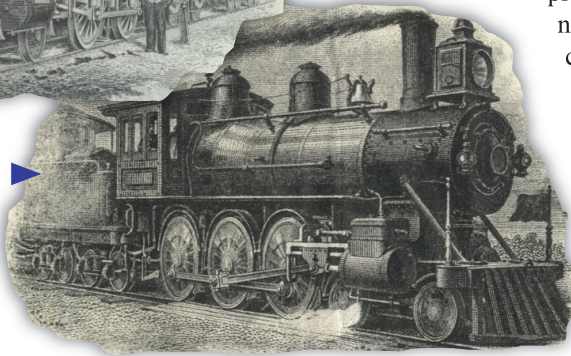
another he had been handed. In addition to the perforated edge there were additional differences, most notably the vignette. A genuine certificate's vignette has a locomotive moving from right to left.

On the suspicious certificate the vignette was slightly larger with the locomotive going left to right. There were more subtle differences as well: the border's shape and lathe work, design of corner medallions, and the par value's background design. Further inspection revealed the certificate was lithographed. Per rules of the New York Stock Exchange, certificates of companies traded there, as the Norfolk & Western was, were to be intaglio printed.<sup>[3, 4]</sup>



Detail of vignette used on genuine Norfolk & Western Railway certificates

Detail of vignette use on the fraudulent certificates. It is likely a stock lithography design



Even the embossed seal looked identical. One expert later called it the "highest form of the lithographer's art," saying differences in the designs proved photography was not used to copy a real certificate.<sup>[5]</sup>

News of this discovery was kept quiet for a day as officials tried to determine where the certificate came from and who printed it. Meanwhile, Guaranty Trust hired the Pinkerton De-

tective Agency to help with the investigation.

As specific details of the certificate were made available most newspapers stopped calling it *counterfeit* or *forged*, instead referring to it as *bogus* or *spurious*.

### - Other Sightings and Discoveries -

During the week of January 7, 1906, as newspapers reported details and speculation about the fraudulent certificate, news of other suspicious certificates began to surface. In early September 1905 Andrew Meloy introduced C. Augustus Seton, a banker, along with E. L. Moore and his partner Mr. Collins, described as Seton's clients, to the firm of **Barnard & Clark** in New York City. Readers of *Scripophily* have met Andrew Meloy before in the April 2012



Charles Augustus Seton, central figure in the fraudulent stock scheme. From January 1, 1906 *Toledo Weekly Blade*

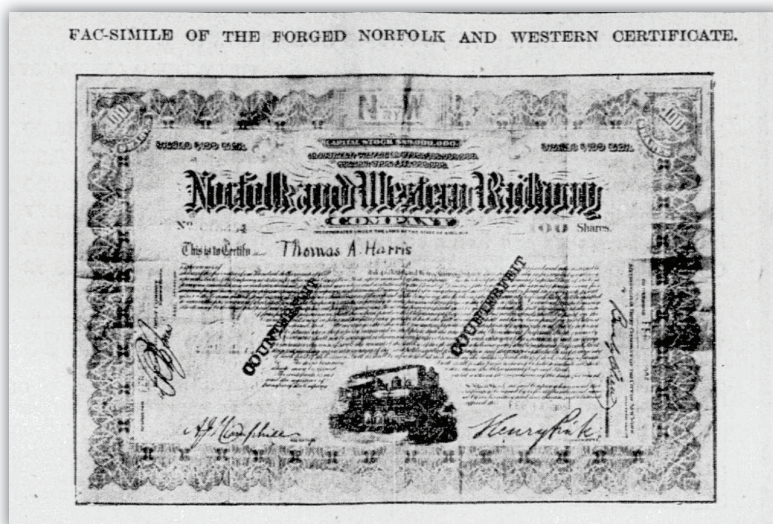
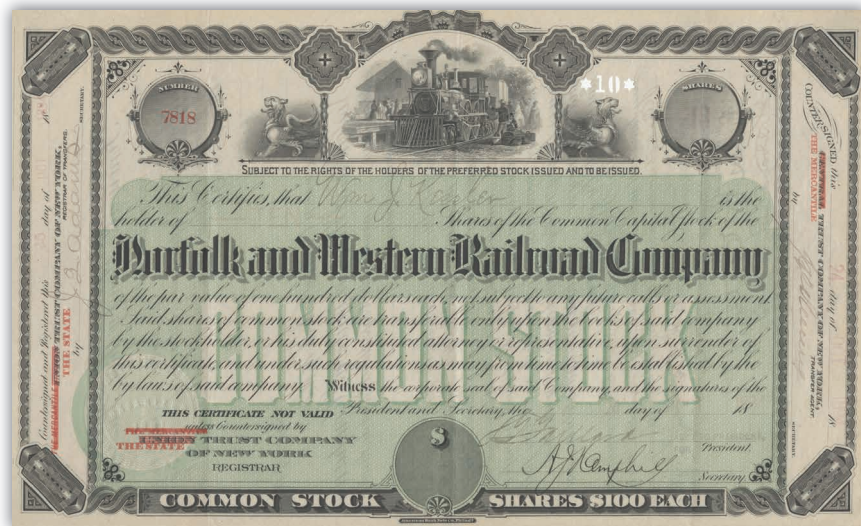


Image of fraudulent certificate discovered at Guaranty Trust Company. The certificate has serial number C18354. From January 12th, 1906 *New York Tribune*



article “Dr. *Richard C. Flower* and the Famous Spenazuma Scam.” Meloy was a one-time associate of Dr. Flower but later turned against him. Seton’s so-called clients wanted to arrange a loan on two 100-share Norfolk & Western Railway certificates. He also offered to take \$3,000 in **Guanacevi Tunnel Co** stock that Barnard & Clark was promoting. Seton was described as being nervous, not wanting to take his hand off the certificates. Guaranty Trust was contacted to verify serial numbers on the certificates but reported that the numbers belonged to canceled certificates. Seton was told not to return to Barnard & Clark, but nothing appears to have been done concerning the questionable certificates.<sup>[6]</sup>



Norfolk & Western Railroad certificate alluded to in letter from “C. B. Franklin” requesting that Seton have the certificates printed. Certificate is Cox catalog number NOR-078-S-50

Also in September of 1905 a Mr. Shoemaker and another man visited offices of New York banker C.

**E. Baird** to negotiate a loan, leaving two Norfolk & Western certificates as collateral. A clerk there later said the certificates “looked different.” As is customary Baird contacted the transfer agent to confirm serial numbers, who reported the numbers were from canceled certificates. The two men returned the next day and left with the certificates.<sup>[7]</sup>

There was a report that in late 1905 a man used a Norfolk & Western certificate as collateral for a loan at the **Euclid Avenue Trust Co** in Cleveland, Ohio, then disappeared after drawing almost \$7,200 against the loan. The railway’s secretary, R. H. Alden, later said this certificate was identical to the one discovered at Guaranty Trust.<sup>[6]</sup>

Shortly after initial reports of the discovery at Guaranty Trust, a member of the Pittsburgh firm **Scully, Painter & Beach** was quoted as saying their New York office alerted them “about three months ago” of an attempt to use two suspicious certificates bearing a signature guarantee of Sproul & Co as collateral on a loan. No other details of the interaction were given.<sup>[2]</sup>

Although barely mentioned by American newspapers, some of the fraudulent certificates were later found in London. On March 7, 1906, London police arrested two Americans, *Franklin Everhart* and *Harry Simons*, charging them with fraud related to mining company promotions. Among items found in their safe deposit box were seven of the fraudulent Norfolk & Western Railway certificates. According to Guaranty Trust’s A. J. Hemphill, 100-share certificates were unusual in Europe as 10-share certificates were the normal denomination there.

### – Printing of the Certificates –

The afternoon of Monday, January 8, a day after newspapers first reported discovery of the fraudulent Guaranty Trust certificate, *Harry C. Thomas*, manager of the **Hamilton Bank Note Printing and Engraving Co**, went to the company’s directors. He informed them that in August of 1905 he printed 500 100-share certificates of Norfolk & Western Railway common stock, placed them in two books of 250 each, then delivered the books to the offices of **C. Augustus Seton & Co** on August 24th.

Thomas showed the directors certificates retained as samples and a letter from *C. B. Franklin*, purportedly a former president of the Norfolk & Western Railway, requesting that Seton have the

certificates printed. The letter was not on railway company letterhead but on stationery from the Waldorf-Astoria Hotel. Text of the letter was later printed in several newspapers.<sup>[8]</sup>

New-York, August 3, 1905 C. Augustus Seton, No. 49 Exchange Place.

Dear Sir: Enclosed you will find a copy of the old N.&W. certificate, which was used, as I explained to you, when I was president of the company.

Our new line runs from Norfolk to St. Louis, and the proceeds from this additional stock issue I want to use to acquire control of the rights to terminals, depot grounds and freight yards. The name is to be Norfolk & Western Railway, instead of “railroad” as appears in the old stock. There will be \$89,000,000 of this capital stock, and, as I told you, a bond issue of the same amount to follow. Have this work rushed through as rapidly as possible, and we will pay the extra expense necessary to expedite lithographing, etc. When the bond issue is ready we will have you handle the work.

I am going out of town to-night, but will be back in New-York Monday, and want to see you then. Yours very truly,

C.B. Franklin

Franklin’s letter mentions replacing “railroad” with “railway” in the Co name on a sample certificate. The Norfolk & Western Railroad entered receivership in 1893 and was reorganized as the Norfolk & Western Railway in 1896. There are six varieties of Norfolk & Western Railroad common stock recorded in the coxrail.com database, differing only in body color, number of counter-signature panels, and underprint color. Cox NOR-078-S-50, known to have been issued as late as 1895, is representative of the common stock design and hardly mistakable for the reorganized company’s certificates. Apparently, an actual Norfolk & Western Railway certificate was used as a model.

Seaton had also asked that some certificates be printed with different transfer agent names. According to one report, twenty certificates were printed with **Metropolitan Trust Co**, ten

with **Guaranty Trust Co**, and six with **Atlantic Trust Co**. At different times all of these had been transfer agents for the railway company. The transfer agent printed on the remaining certificates wasn't reported.<sup>[9]</sup> After Thomas's revelation Hamilton Bank Note's lawyer contacted the Guaranty Trust Co to request an urgent meeting.

Hamilton Bank Note's board met with Guaranty Trust Co officials and the secretary of the Norfolk & Western Railway on Tuesday, January 9. Afterwards police and Pinkerton detectives visited Seton's office at 49 Exchange Place in the lower part New York only to discover he had left the city accompanied by a man named *Samuel Humphreys*.

Newspapers were quick to speculate how a certificate was obtained to copy. Was a genuine one purchased? One stolen from a legitimate owner? "A person familiar with the facts" said a broker lent Seton a genuine certificate in exchange for a share in the scheme.<sup>[7]</sup> Was the certificate issued, unissued, or a specimen? Although authorities never gave details, they acknowledged that someone in the securities industry provided a certificate to copy. At the end of the investigation the New York City District Attorney did not charge Harry Thomas or the Hamilton Bank Note Co for their part in printing the certificates. It was felt that Seton had manipulated Thomas into creating the lithographic stone and printing the certificates.

### – *The Cast of Characters* –

Although C. Augustus Seton was quickly implicated when Hamilton Bank Note's manager confessed to printing the certificates, the number and identities of others involved were not immediately known. Authorities and others speculated about who might have put together such a scheme but in the end public reports never identified any specific mastermind. Four men in the United States – Charles Seton, Charles Colmey, Samuel Humphreys, and Douglas Smith – were charged for their parts in the scheme. Harry Simons, the American arrested on unrelated charges in London in March 1906, may have been involved in attempts to pass the certificates but does not appear to have been charged with it.

*Charles Augustus Seton* and Samuel Humphreys left New York the day that Harry Thomas told his employer about printing the certificates. After a brief stop in Philadelphia, Humphreys returned to New York City while Seton went to a family member's farm in Maryland. It was here detectives caught up with him late on January 10, 1906. Although acknowledging he had the certificates printed, at first Seton denied knowledge of

their distribution. He later plead guilty to his involvement in the whole affair but was not sentenced for it, the district attorney saying Seton provided information that stopped a much larger scheme.<sup>[10]</sup>

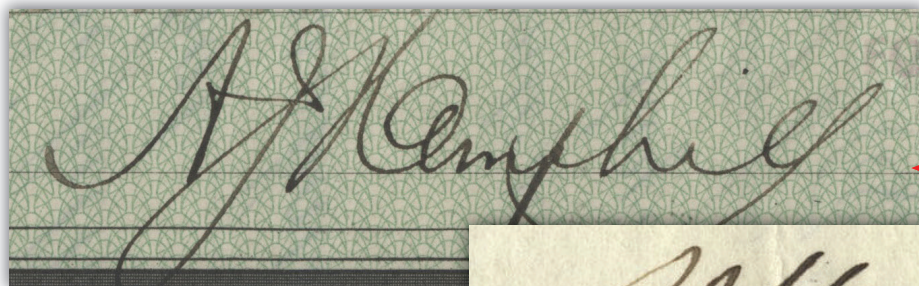
At the time of this arrest in Maryland, Seton was awaiting trial for defrauding promoters of the **Houston, Galveston and Interurban Railway**. They paid Seton \$6,890 to arrange a bond offer that never happened. Around the same time the interurban Co made their claim, the **International Silver Co, Manitoba Light and Power Co, and Fox River Electric Railway Co** also alleged they had been defrauded by Seton. Seton was found guilty in the Houston, Galveston and Interurban Railway case and sentenced to eight years in Sing Sing prison.<sup>[11]</sup> That sentence was commuted to three years and five months after he exposed a corrupt prison officer.<sup>[12]</sup>

*Charles Murray Colmey*, alias Kid Murray and alias Colonel T. C. P. Colmey, was identified as the "E. L. Green" who had sold the certificate to William Duke & Co in Cleveland. He would also be identified as the "E. L. Moore" who accompanied Seton in the failed attempt to obtain a loan at Barnard & Clark in New York. Colmey was convicted and sentenced to seven years, six months for involvement in the Norfolk & Western fraud.<sup>[10]</sup> On December 28, 1906 Colmey's conviction was overturned by the Supreme Court of New York on the grounds that the only evidence against him, testimony of Seton, his confessed accomplice, was insufficient.<sup>[13]</sup>

At the time Colmey was charged in the Norfolk & Western affair, he was awaiting trial for selling worthless bonds of the **New York & Hempstead Railroad**. He would be found guilty on that charge and sentenced to four years, six months in prison. He was also part of a \$40,000 scheme using **Horseshoe Mining Co** stock to defraud a wealthy businessman.

*Samuel Humphreys* was arrested on Thursday, January 11, 1906 as he crossed the Brooklyn Bridge and after a night in jail was willing to tell authorities most of what he knew. Humphreys was the "Mr. Collins" who accompanied Seton and Colmey at the offices of Barnard & Clark.<sup>[14]</sup> According to Seton's confession, Humphreys wrote the "C. B. Franklin" letter and forged A. J. Hemphill's signature on the certificates.<sup>[15]</sup> At the time of this arrest he was on parole for another offense.

*Douglas E. Smith* played a minor part in the scheme, signing the back of certificates as notary "David E Meyer." Described as almost deaf and "such a wreck that he didn't know what he was doing," he was sentenced to one year in prison.<sup>[15]</sup>



Forged signature of A. J. Hemphill on the fraudulent a Norfolk & Western Railway certificate

*Harry Simons* had been in London about 18 months when he was charged with fraud relating to the **Mining Securities and**

Signature of A. J. Hemphill, signing as company secretary on a Norfolk & Western Railroad certificate





**Investments Corporation Limited** and attempted forging of **La Chivia Mining Co** stock. It was during this investigation in early March 1906 that seven fraudulent Norfolk & Western certificates were found in his safe deposit box. During his trial at the Old Bailey in London, Simons testified it was late December 1905 that he received them from a New York City broker named Davis. Shortly afterward, “for a consideration,” Simons lent the certificates to a Mr. Rostoe in Paris who used them as security for a bank loan. Simons said he contacted Rostoe after learning the certificates might be fraudulent, but there is no explanation as to how Simons heard that the certificates were bad. A few weeks later Rostoe sent the certificates by courier to the French advocate’s office in London where Simons hurriedly signed a receipt and left with them. During questioning he admitted to knowing and having met with Charles Colmey in London but denied they had any dealings related to the Norfolk & Western certificates. During the trial a representative of **Vivian, Gray and Co**, formerly the Norfolk & Western Railroad’s primary banker, testified about the seven certificates. He exhibited a canceled legitimate certificate with the serial number C18363, pointing out it was the same number as one of those from Simons’ safe deposit box.<sup>[16]</sup>

### – How Many Were Put into Circulation? –

According to Samuel Humphreys, on Monday, January 8, before leaving New York City with Seton, he burned 492 certificates in the furnace of a New York City restaurant located at 45th Street and Broadway.<sup>[17]</sup> As he likely did not count them, how did Humphreys know the exact number destroyed? Could he have said 492 because in addition to the two certificates that were recovered, only six others had been questioned or detected during attempts to pass them in the United States? At the time Humphreys told of destroying the certificates he did not know seven additional ones would soon be recovered in London.

In newspaper stories only one serial number was reported to have been found in the United States, the C18354 discovered at Guaranty Trust. The serial number of the certificate at Euclid Avenue Trust was never published. Of the seven certificates found in London, a transcript of Harry Simons’ trial only mentions one serial number, C18363. The certificate from eBay has the lowest number, C18353. Serial numbers for certificates that were presented at banks or brokerages but were turned away because the transfer agent said they were canceled were not published.

Based on contemporary news, nine certificates were recovered: the one presented for transfer at Guaranty Trust, one left as collateral for a loan at Euclid Avenue Trust, and seven found in London. Then there is the certificate listed on eBay, which is the tenth. Alexander Hemphill’s comment back in January of 1906 rings true: the actual number of fraudulent certificates put into circulation may never be known.

### *Norfolk & Western Locomotive Vignette* – Certificates –

The Norfolk & Western Railway used the same basic design for common stock certificates from its organization in 1896 until 1964. A new certificate design was introduced when the railway officially acquired the **New York, Chicago and St. Louis Railroad** and leased the **Wabash Railroad** and the **Pittsburgh and West Virginia Railway** in late 1964.

During the 68 years the locomotive vignette design was used there were several minor changes. Following the Cox catalog taxonomic structure, the first division is par value. From 1896 until late 1947 the stock’s par value was \$100 per share. Unfortunately, certificates of this variety are only known from mostly undated specimens, but by using other information it is possible to deduce when sub varieties may have been used. One sub variety has total capitalization, \$89,000,000, along with authorized common and preferred share dollar amounts printed above the company name. It was this design the fraudulent certificates copied. This sub variety was likely issued as early as 1896, when the company was reorganized from the Norfolk & Western Railroad, until 1907, when shareholders authorized a capitalization increase to \$100,000,000.<sup>[18]</sup>

The second \$100 par sub variety has no printed capitalization and likely appeared in 1907 or 1908. This is assumed as there are no known specimens with the higher capitalization printed on them. This is partially supported by use of printed company seals on some specimens of this sub variety. Specimens of this sub variety are known with and without printed company seals. Printed company seals were used on post-1947 certificates up until the company’s merger into the **Norfolk Southern Railway**. In late 1947 Norfolk & Western’s stock split 4-for-1. The \$25 par certificates have two major sub varieties – those with underprinting behind the par value were used until around 1950, and those without the underprinting used after 1950 or so. Approximate date for this change is based on serial numbers and dates of issue reported in the coxrail.com database. Issued \$25 par certificates show up somewhat regularly on eBay.

### – Biography –

David Adams has been collecting stocks and bonds for about 20 years. Initially attracted to the hobby by a coal company certificate discovered while doing research, he specializes in West Virginia incorporations and the Norfolk & Western and its predecessor companies. David works at Missouri State University in Springfield, Missouri where he is an associate professor in the University Libraries. ♦

### Footnotes

- <sup>1</sup>*Inflation Calculator*. [website] 2019 [cited 2019 12/28/2019]; Available from: <http://www.in2013dollars.com/>.
- <sup>2</sup>“Trace Bogus Certificate,” [New York] *The Sun*. January 9 1906: p. 2.
- <sup>3</sup>“Forged N. and W. Stocks,” *New York Daily Tribune*. January 7, 1906: p. 10.
- <sup>4</sup>“Bogus Stock Certificates,” [New York] *The Sun*. January 7, 1906: p. 13.
- <sup>5</sup>“Forged Certificate for 100 Shares Found,” *New York Times*. January 7, 1906: *New York Times*.
- <sup>6</sup>“More Bogus Certificates,” [New York] *The Sun*. January 10, 1906: p. 3.
- <sup>7</sup>“Broker Lent a Sample to Make Bogus Stock,” *New York Times*. January 17, 1906.
- <sup>8</sup>“Stock Forger in Cell,” in *New York Tribune*. January 12, 1906: p. 2.
- <sup>9</sup>“Bogus Stock Plot Clears Up,” [New York] *The Sun*. January 12, 1906: p. 2.
- <sup>10</sup>“Headed off \$10,000,000 Fraud,” [New York] *The Sun*. April 21, 1906: p. 7.
- <sup>11</sup>“C. A. Seton’s Name in Stock Forgery,” *The New York Herald*. January 10, 1906: p. 1.
- <sup>12</sup>*Public Papers of Charles E. Hughes, Governor 1909*. 1910, Albany, NY: J. B. Lyon Co.
- <sup>13</sup>*People v. Colmey*, A.D. New York Supreme Court, First Department, Editor. 1907, West Publishing Co.: St. Paul, WI. p. 2.
- <sup>14</sup>“Tracing Bogus Stock Books,” [New York] *The Sun*. January 13, 1906: p. 1.
- <sup>15</sup>“Stock Forgers Plead Guilty,” [New York] *The Sun*. March 1, 1906: p. 1.
- <sup>16</sup>*Old Bailey Proceedings Online* ([www.oldbaileyonline.org](http://www.oldbaileyonline.org), version 8.0, 10 February 2020), May 1906, trial of SIMONS, Harry Samuel (48, broker) EVERHART, Franklin (52, broker) (t19060521-49).
- <sup>17</sup>“Bogus Stock Was Burned Up,” [New York] *The Sun*. January 25, 1906: p. 4.
- <sup>18</sup>Norfolk and Western Railway. (1907) *Eleventh Annual Report*. Philadelphia, PA: Norfolk and Western Railway